WIEG

WISCONSIN INDUSTRIAL ENERGY GROUP

To: Daniel Sage, Public Service Commission
Lisa Stefanik, Public Service Commission

From: Todd Stuart, Executive Director
Wisconsin Industrial Energy Group, Inc.

Re: Comments on the Wind on the Water Draft
Docket No. 05-EI-144

Date: November 10, 2008

Thank you for the opportunity to comment on this important subject. The following comments are submitted on behalf of the members of Wisconsin Industrial Energy Group, Inc. (WIEG) in regards to the Wind on the Water draft (05-EI-144). As we note below, notwithstanding the feasibility of siting wind turbines in the Great Lakes, WIEG believes it comes at too high a price to be pursued at this time, particularly where Wisconsin already has a substantial amount of capacity above the recently reduced Reserve Margin of 14.5%.

WIEG is a non-profit association of about 30 large energy consumers that advocates for policies supporting affordable and reliable energy. Since the early 1970s, WIEG has been the premiere voice of Wisconsin ratepayers and an engine for business retention and expansion. Our member companies spend over $200 million annually on electricity, and collectively employ more than 50,000 Wisconsin residents, who are themselves state taxpayers and utility ratepayers. WIEG members represent most major Wisconsin manufacturing industries, including paper, food processing, metal casting and fabricating.

Industrial customers are very concerned about the reliability of electricity at affordable rates. Electricity rates for all customers have been rising in Wisconsin and elsewhere, but industrial rates have risen faster in Wisconsin since 2000 than in any other Midwestern state and we have seen 7% annual increases over the last decade.

By our estimate, Wisconsin is currently facing $18 billion in utility-related infrastructure costs over the next decade. Over half of this figure is due to government mandates for renewable energy and environmental compliance for air emissions standards. There will be extreme pressure on electric rates in the next few years. Further large rate increases will seriously harm our competitiveness and will lead to the loss of factories and jobs.

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Wisconsin's 10% Renewable Portfolio Standard (RPS) is having a big impact on utility costs. All the state's utilities are proposing 100 – 200 MW wind farms to comply with the law. At about $2.5 million per megawatt, each large wind farm costs hundreds of millions of dollars. The 10% RPS is on track to be by far the most costly infrastructure project in state history, much bigger than the Marquette Interchange and Power the Future combined.

WIEG recognizes the priority that the state has made of renewable energy and its value to the environment. However, we remain gravely concerned that new generation, in the form of renewables, is being constructed to simply meet the RPS requirements and without a real need for the additional capacity it will generate at a time when our economy is in crisis. It is interesting to note that Wisconsin's actual Reserve Margin is over 20%. Generally speaking, the state has an adequate supply to meet our electric demand for the next several years, especially considering the Commission's recent decision to lower the Reserve Margin to 14.5%. But because the RPS requires 10% of a utility's sales to be met by renewable power, the state is now adding hundreds of millions of dollars in wind projects annually in order to fulfill the RPS mandate, not necessarily to keep up with electric demand.

We Energies' application to build Glacier Hills Wind Park illustrates our concerns. The Glacier Hills Wind Park would increase generation around 200 MW, at an approximate (and current) cost of $500 million. Assuming Glacier Hills is approved and built, We Energies is still less than halfway to the 10% RPS mandate. We Energies would still need to add at least three more large wind farms at a similar size and cost. Thus, the utility is on track to spend well over $2 billion on wind development and could easily spend more on renewable compliance than it did on its Power the Future power plants. And once the Power the Future coal plants come on-line, We Energies will have more than enough supply to meet future peak energy demands, especially considering the softening economy. In the last rate case, the company had an increase in their revenue requirement of $389 million or 17%, which was offset by the proceeds from the sale of the Point Beach nuclear power plants. In short, the company will be adding billions in wind development to their ratebase, even though they have excess supply for many years and their customers are already facing extreme rate pressure.

The Wind on the Water draft report states that wind projects in the Great Lakes are technologically feasible, but come at a premium of at least 140% of land-based wind (which is already very expensive). Given the extreme rate pressure all utility customers are facing, WIEG believes that Wisconsin utilities and the Commission should focus first on the most cost effective renewables in Wisconsin and surrounding states, as well as the use of Renewable Energy Credits, before resources are directed to Great Lakes wind turbine experiments. Our state's utilities are too small, and the price is too high, for customers to bear the extraordinary costs that will come with Great Lakes projects.

Wisconsin businesses simply cannot pass along to their customers their rate increases when they are part of the global economy. Our manufacturers are competing not just against Midwestern states, but against the entire world. It is tough to remain competitive with large electric cost increases, especially when the national economy is in a recession.

In short, because of its current cost, WIEG believes that the Commission should not further pursue the development of wind turbines on the Great Lakes. Thanks again for the opportunity to provide comments on this important matter.